

DEFERRAL REQUEST

**Karing Hearts Cardiology Cardiac PET
Service**

Johnson City (Washington County)

CN1311-046

Melissa Bobbitt

From: Rob Gregory <rob@karingheartscardiology.com>
Sent: Thursday, October 16, 2014 3:48 PM
To: Melissa Bobbitt
Cc: jwdsg@comcast.net
Subject: Karing Hearts Cardiology overspend review

***** This is an EXTERNAL email. Please exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email - OIR-Security. *****

Good afternoon Ms. Bobbitt,

Karing Hearts Cardiology kindly requests that the CON project overspend review currently scheduled for the HSDA's October meeting be rescheduled to the November meeting. Please let me know as soon as possible if this request is granted or if further information is needed.

Thanks much!

rob



Rob Gregory

Vice President - Operations
701 N. State of Franklin, Suite 2
Johnson City, TN 37604
423.926.4468
rob@karingheartscardiology.com
www.karingheartscardiology.com

CONFIDENTIALITY NOTICE: This eMail message, including any attachment(s), is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure and/or distribution is strictly prohibited. If you are not the intended recipient(s), please contact the sender immediately by reply eMail and destroy all copies of the original message. Thank you.

HIPAA NOTICE: The information contained may be considered Protected Health Information (PHI) under the provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). This information must be protected from intentional or accidental disclosure to any parties or agencies not connected with the contents of this eMail. Also, please be advised that this information is strictly confidential by function of state law.

GENERAL COUNSEL'S REPORT

October 22, 2014

- A. Karing Hearts Cardiology Cardiac PET Service, Johnson City (Washington County), TN — CN1311-046A**
Request for a project cost overrun of \$133,421 (from \$391,585 to \$525,006), an increase of 34.1%. The cost overrun is due to the following reasons: 1) A decision was made to purchase the PET unit from its owner rather than to lease it, increasing the cost by \$109,214; and 2) Moving the equipment required unforeseen special transport measures which increased the cost by \$33,500.

This project was approved on February 26, 2014 for the acquisition of Cardiac PET equipment and the initiation of services (replacing CN1304-014A the previously approved, unimplemented and now surrendered CON). On June 30, 2014, this project was implemented and the service operational.



SEP 9 '14 9:10:05

August 28, 2014

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CN1311-046
Karing Hearts Cardiology Cardiac PET Service, Johnson City

Dear Mrs. Hill:

This letter and its attachments are the final cost report for the subject project, which was for a change of ownership and relocation of an existing Cardiac PET unit in Washington County. The project has been implemented and the service is operational.

We request that the project be approved for a cost increase and that the CON be amended accordingly, for the following reasons.

1. The project was completed on schedule and within the scope approved. It did not include any space or equipment not approved in the CON review process.

2. As shown on the attached Project Cost Chart comparison spreadsheet, there was a total cost overrun for CON purposes of \$133,421, which is 34.1% of the approved cost. However, this is a very small absolute amount of extra cost. It is attributable to only two factors:

(a) A decision was made to purchase the unit from its owner rather than to lease it. So the CON approved lease cost of \$144,000 was eliminated, but the purchase cost of buying the machine out of its current lease was \$253,214. This alone was responsible for \$109,214 of additional project cost.

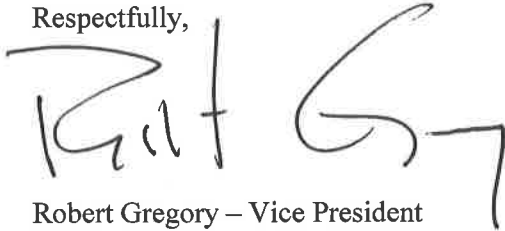
(b) The cost of moving the equipment from Gray to Johnson City proved to require special transport measures that were not foreseen. This added \$33,500 to the project costs.

701 N. State of Franklin, Ste 2
Johnson City, TN 37604 – 423.926.4468
www.karingheartscardiology.com

(c) In all the other cost estimates the applicant spent \$9,293 less than expected.

Please advise me of the appropriate course of action going forward.

Respectfully,

A handwritten signature in black ink, appearing to read "R. Gregory". The signature is stylized with a large "R" and a long horizontal stroke at the end.

Robert Gregory – Vice President

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1311-046A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Karing Hearts Cardiology, PLLC
701 State of Franklin Road, Suite 2
Johnson City, TN 37604

For: Karing Hearts Cardiology Cardiac PET Service

This Certificate is issued for: The acquisition of a Cardiac PET equipment and initiation of services. This will replace previously approved CN1304-014, which will be surrendered.

On the premises located at: 701 State of Franklin Road, Suite 2
Johnson City (Washington County), TN 37604

For an estimated project cost of: \$391,585.00

The Expiration Date for this Certificate of Need is

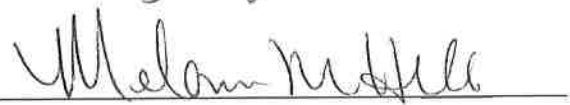
April 1, 2016

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: February 26, 2014


Chairman

Date Issued: March 26, 2014


Executive Director



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
 502 Deaderick Street
 Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

FINAL PROJECT REPORT

Please TYPE or PRINT legibly.

Certificate of Need No. CN1311-046

Project Name: Kyring Hearts Cardiology Cardiac PET Service

Owner: Jeffrey Schoondyke Contact: Rob Gregory

Description: Acquisition of Cardiac PET equipment and initiation of services.

Total Bed Complement Before Addition
 Total Bed Complement

What was the Final Completion Date (opened for public use)?

6/30/2014

Was the project completed as certified?

☒ YES

☐ NO

(If not, describe any changes, deletions, and/or additions on additional sheets.)

COST FACTORS		Original Cost Projection	Final Project Cost
A.	Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	<u>10,000</u>	<u>10,000</u>
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	<u>15,000</u>	<u>15,000</u>
3.	Acquisition of Site		
4.	Preparation of Site		
5.	Construction Costs	<u>100,000</u>	<u>99,098</u>
6.	Contingency Fund	<u>5,000</u>	<u>0</u>
7.	Fixed Equipment (Not included in Construction Contract)		
8.	Moveable Equipment (List all equipment over \$50,000)		
9.	Other (Specify) <u>Moving</u>	<u>3,000</u>	<u>35,000</u>
	Subtotal		
B.	Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	<u>109,035</u>	<u>109,035</u>
2.	Building only		
3.	Land only		
4.	Equipment (Specify)	<u>144,000</u>	<u>253,214</u>
5.	Other (Specify)		
	Subtotal		
C.	Financing Costs and Fees:		
1.	Interim Financing	<u>2550</u>	<u>659</u>
2.	Underwriting Costs		
3.	Reserve for One Year's Debt Service		
4.	Other (Specify)		
	Subtotal		

- D. Estimated Project Cost (A+B+C)
 E. CON Filing Fee
 F. Total Estimated Project Cost (D&E)

388,585 522,006
 3,000 3,000
 391,585 525,006

FINAL COST† \$ _____

FINAL FILING FEE‡ \$ _____

If the final project cost is an overrun of the estimated project cost, describe in detail all increases in final costs from those originally projected.

The Final Filing Fee to be assessed on any cost overrun is to be computed at the rate current at the time the project was certified. Below is the outline of the rates from January 1994 through the present.

PERIOD	FEE PER \$1,000	MAXIMUM-MINIMUM	FINAL FILING FEE
January 30, 1994 through Present	\$2.25/\$1,000	\$3,000--\$45,000	\$2.25/\$1,000 Total filing fee (initial plus final) not to exceed \$45,000.

I hereby certify that this information is true to the best of my knowledge, information, and belief, and that supplemental written notification will be filed with the Tennessee Health Services and Development Agency in the event of any change in the information given in this report.


 Chief Operating Officer

8/28/14
 Date

HF-0055

Revised 1/05 - All forms prior to this date are obsolete.

**PROJECT COSTS CHART--KARING HEARTS CARDIAC PET SERVICE
COMPARISON OF APPROVED PROJECT COSTS AND ACTUAL COSTS OF IMPLEMENTATION**

A. Construction and equipment acquired by purchase:	APPROVED	ACTUAL	VARIANCE
1. Architectural and Engineering Fees	\$ 10,000	10,000	0
2. Legal, Administrative, Consultant Fees (Excl CON Filing)	15,000	15,000	0
3. Acquisition of Site	0	0	0
4. Preparation of Site	0	0	0
5. Construction Cost	100,000	99,098	-902
6. Contingency Fund	5,000	0	-5,000
7. Fixed Equipment (Not included in Construction Contract)	0	253,214	253,214
8. Moveable Equipment (List all equipment over \$50,000)	0	0	0
9. Other (Specify)	1,500	35,000	33,500
misc. office equipment & furnishings	1,500	0	-1,500
ST A:	133,000	412,312	279,312
B. Acquisition by gift, donation, or lease:			
1. Facility (inclusive of building and land)	0	0	0
2. Building only	109,035	109,035	0
3. Land only	0	0	0
4. Equipment (Specify) lease of Cardiac PET system	144,000	0	-144,000
5. Other (Specify)	0	0	0
ST B:	253,035	109,035	-144,000
C. Financing Costs and Fees:			
1. Interim Financing \$136,000 X 5% X .5 X .75 yrs	2,550	659	-1,891
2. Underwriting Costs	0	0	0
3. Reserve for One Year's Debt Service	0	0	0
4. Other (Specify)	0	0	0
ST C:	2,550	659	-1,891
D. Estimated Project Cost (A+B+C)			
			0
			0
	388,585	522,006	133,421
E. CON Filing Fee	3,000	3,000	0
			0
			0
F. Total Estimated Project Cost (D+E)	PROJECT TOTAL 391,585	525,006	133,421 34.1%
	Actual Capital Cos	415,971	277,421
	Section B FMV	109,035	-144,000

SEP 9 14 AM 10:05

Mr. Wright moved for approval of the project based on: 1) Need – The criteria of need has been clearly met as supported by the Guidelines for Growth in this geographic service area; 2) Economic Feasibility – The economic feasibility is met by the securing of commercial financing; and 3) The project does contribute to the orderly development of adequate and effective health care and supported by the continuity of care provided by the CCRC model. Mr. Doolittle seconded the motion. The motion CARRIED [7-0-0].

APPROVED

AYE: Jordan, Doolittle, Wright, Burns, Hodge, Haik, Johnson

NAY: None

Karing Hearts Cardiology Cardiac PET Service - (Johnson City, Washington County) - Project No. CN1311-046

The acquisition of a Cardiac PET equipment and initiation of services. This will replace previously approved CN1304-014, which will be surrendered if this application is approved. The estimated project cost is \$391,585.00.

Byron R. Trauger, Esq., addressed the Agency on behalf of the applicant. Present in support were: Jeffrey Schoondyke, M.D., Karing Hearts Cardiology; Rob Gregory, General Manager, Karing Hearts Cardiology; and John L. Wellborn, Consultant

Mr. Trauger waived summation.

Ms. Burns moved for approval of the project for the initiation of PET services and the acquisition of PET equipment based on: 1) Need – There is a need. It just replaces an existing CON and allows them to continue serving the population that is currently being served; 2) Economic Feasibility – The project is economically feasible, it is profitable and based on a commercial loan; and 3) The project does contribute to the orderly development of adequate and effective health care as it provides better access to the needed specialized diagnostic services for the patients of this group. It will have no negative impact on other providers in this service area. Mr. Wright seconded the motion. The motion CARRIED [7-0-0].

APPROVED

AYE: Jordan, Doolittle, Wright, Burns, Hodge, Haik, Johnson

NAY: None

GENERAL COUNSEL'S REPORT

Jim Christoffersen summarized the following CON modification requests:

Collins Chapel Health & Rehabilitation Center - (Memphis, Shelby County) - Project No. CN1202-011

Request for a one (1) year extension of the expiration date from August 1, 2014 to August 1, 2015. This project was approved on June 1, 2012 for the establishment of a nursing home with twenty-eight (28)* Medicare skilled nursing facility beds. The project cost is \$1,626,331.

* These beds are subject to the 2011-2012 Nursing Home Bed Pool.

William H. West, Esq., addressed the Agency on behalf of the request.

Mr. Doolittle moved for approval of the one (1) year extension from August 1, 2014 to August 1, 2015. Ms. Jordan seconded the motion. The motion CARRIED [7-0-0]. **APPROVED**

AYE: Jordan, Doolittle, Wright, Burns, Hodge, Haik, Johnson

NAY: None

Saint Francis Hospital - Bartlett - (Bartlett, Shelby County) - Project No. CN0809-074

Request for a sixty (60) day extension of the expiration date from March 1, 2014 to May 1, 2014. This project was approved on January 28, 2009 for: 1) New construction of approximately 81,000 square feet of space;

HEALTH SERVICES AND DEVELOPMENT AGENCY

FEBRUARY 26, 2014 MEETING

- PAGE 8 -